

SENATE BILL REPORT

SB 6336

As of February 18, 2008.

Title: An act relating to the business and occupation tax classification for cleaning up radioactive waste and other byproducts of weapons production and nuclear research and development.

Brief Description: Concerning the business and occupation tax classification for cleaning up radioactive waste certain other byproducts.

Sponsors: Senators Delvin, Prentice, Hewitt, Kauffman and Shin; by request of Department of Revenue.

Brief History:

Committee Activity: Ways & Means: 2/04/08.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Dianne Criswell (786-7433)

Background: The business & occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities conducted within the state. In general, there are no deductions for the costs of doing business. The principal rates are 0.484 percent for manufacturing and wholesaling, 0.471 percent for retailing, and 1.5 percent for services and all other activities.

In 1996 the Legislature enacted a reduced B&O rate of 0.471 percent for cleaning up the Hanford site. Previously, persons performing clean-up activities for the U.S. government paid under the government contractor rate. Activities had to be integral and necessary to the direct performance of cleanup to qualify for the reduced B&O rate.

Summary of Bill: Persons providing certain support services which are either within the scope of work under a clean-up contract with the United States Department of Energy or which assist in the requirement of a clean-up subcontract are qualified for the reduced B&O rate for radioactive waste clean-up.

Only the following routinely provided services are considered to contribute to the accomplishment of a requirement of a clean-up project: information technology and computer support; services rendered in respect to infrastructure; security, safety, and health services; and activities supporting the performance of cleanup.

The reduced B&O rate does not apply to general accounting services, but does apply to performance audits. Further, the reduced B&O rate does not apply to general legal services,

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but does apply to legal services that assist in the accomplishment of a clean-up project. General office janitorial services do not qualify, but specialized cleaning of equipment exposed to radioactive waste does qualify.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2008.

Staff Summary of Public Testimony: PRO: This bill is the product of discussions over the interim about defining "clean-up" activities. Extending the lower clean-up rate to these related services will keep more money for clean-up activities. These contractors provide jobs. Retirees have no impact on this bill. This bill provides consistent tax treatment. The tax savings will not go into anyone's pocket, but rather will go towards clean-up and keeping jobs there. The U.S. Department of Energy (DOE) pays these taxes on behalf of their contractors, so contractors do not have a financial interest in this bill. This is a simple solution to the problem of determining who is providing "clean-up" services for the purpose of the lower rate.

OTHER: Contractors froze and eliminated retiree benefits in 1996 for approximately 2,000 employees. At the same time, Washington enacted a preferential lower B&O rate for these businesses. This bill should repeal the reduced rate and restore benefits. The DOE allowed these contractors to reorganize into new companies, but the workers did the same jobs in the same places. These contractors want the benefit of the lower B&O rate by proving their services are "integral and necessary" to the clean-up. However, they want to be segregated for purposes of paying fewer employee benefits. Tax relief to the DOE contractors penalizes Washington through lost revenues, as well as employee benefit cuts. Stand up and be heard on employee rights. Make the bill conditional on restoring benefits.

Persons Testifying: PRO: Senator Delvin, prime sponsor; Sally Kirkpatrick, TRIDEC; Jerry Smedes, NW Environmental Business Council; Jim Jesernig, CH2MHill; Mark Reavis, Labor; Gil Brewer, Department of Revenue.

OTHER: Glynn Stevens, Kelly McBride, Hanford Retirement Benefits Action Committee.